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Central Intelligence Bulletin

CONTENTS

CAMBODIA: Phnom Penh's oil reserves are being replenished. (Page 1)



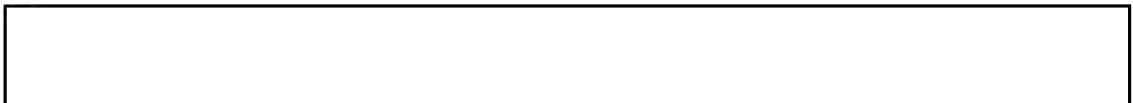
25X1

USSR-CHINA-UN: Moscow evidently hopes China's UN admission will be delayed at least until 1972. (Page 3)

NATIONALIST CHINA: Newspapers are challenging Taipei's foreign and domestic policies. (Page 4)

BERLIN: Stoph has proposed negotiations with the Senat on visits by West Berliners. (Page 5)

AUSTRIA: The government may provoke a vote of confidence over the army reform issue. (Page 7)



25X1

NIGERIA: The government is moving to increase its oil revenues. (Page 10)

ALGERIA-FRANCE: Oil nationalization (Page 11)

CHILE: Pressure on banks (Page 11)

USSR-JAPAN: Trade trouble (Page 12)

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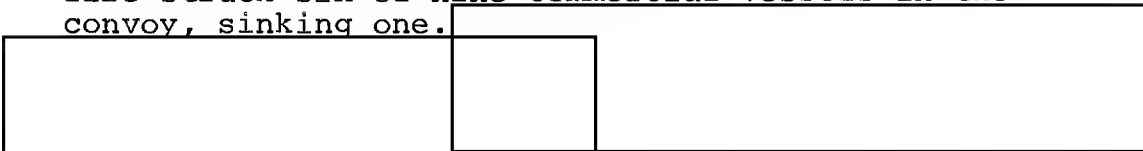
CAMBODIA: Phnom Penh's petroleum reserves are gradually being replenished.

Recent deliveries of an estimated 18,000 metric tons of petroleum supplies from South Vietnam via a series of armed convoys on the Mekong River have eased the oil crisis. There are now enough stocks in the city's petroleum depots to meet essential military and civilian requirements for at least three weeks.

Some petroleum has also been trucked into Phnom Penh from Cambodia's only refinery at Kompong Som, as well as from Saigon and Thailand. Such shipments have amounted to less than a thousand metric tons of petroleum since last December, however, because of the continuing insecurity of key highways.

Shipments from Kompong Som to Phnom Penh over Route 4 since it was reopened in late January have been disappointingly small, primarily because of enemy ambushes that have destroyed or damaged a score of trucks. As an alternative to the use of Route 4, the Cambodians are planning soon to start regular petroleum deliveries from Kompong Som to Phnom Penh by sea and the Mekong River, in small, recently chartered tankers.

Phnom Penh's longer range petroleum situation remains precarious, however. The Cambodians have not as yet followed through on plans to purchase petroleum transport vessels of their own. Moreover, their Mekong supply route is maintained by foreign vessels and crews, which could suddenly abandon this service if the Communists increase their harassing attacks. The hazards of the Mekong passage were again emphasized on 22 February, when enemy fire struck six of nine commercial vessels in the convoy, sinking one.



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25 Feb 71

Central Intelligence Bulletin

1

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Approved For Release 2003/08/21 : CIA-RDP79T00975A018300100001-7

Approved For Release 2003/08/21 : CIA-RDP79T00975A018300100001-7

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USSR-CHINA-UN: Soviet officials evidently view China's UN admission as inevitable but hope that it will be delayed at least until 1972.

The Soviet Foreign Ministry's chief China watcher, Mikhail Kapitsa, told US Ambassador Beam on 23 February that it was quite clear that China was definitely interested in UN membership. As an indicator of this, he claimed that Peking had "discussed" developments in last year's General Assembly session with Moscow. Other Soviet officials have recently publicly and privately predicted that Peking will gain UN admission in either 1971 or 1972.

Kapitsa pointedly noted, however, that he was "absolutely convinced" Peking will not abandon its demand that Taiwan be ejected from all UN organs as a condition of Peking's membership. A Soviet UN diplomat who spoke to a US official on 22 February added that Peking would also reject UN membership if Taiwan was not expelled from all UN-related agencies. Moscow may be hoping that Western resistance to Taiwan's expulsion will delay Peking's admission this year.

Soviet diplomats, including Kapitsa, have made it clear that Moscow will not drop its public--albeit half-hearted--support for Peking's entry. Despite this public posture, Moscow remains unhappy with the prospect of Peking's presence in the UN, fearing the Chinese will use the body as a forum to voice anti-Soviet policies and could undercut Moscow's appeal to the large third world contingent.

Nevertheless, it is unlikely that the Soviets will risk upsetting their somewhat improved relations with Peking by becoming openly identified with efforts to delay its admission. Moscow, however, will continue to be attentive to opportunities for engaging in backstage efforts to forestall Peking's membership.

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25 Feb 71

Central Intelligence Bulletin

3

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NATIONALIST CHINA: Over the past four weeks a series of unusually forthright articles in Taiwan's most widely circulated newspapers has challenged Taipei's foreign and domestic policies.

One article deplored Taipei's use of "obsolete slogans" to characterize a changing situation, adding that the nation's policies are "extremely rotten hallucinations," another termed them "foolish." The papers called for a realistic, flexible response to international issues, particularly by dealing with states having other social systems, and to domestic problems by going all out to modernize the country. In discussing US actions, two other articles pointed out that Washington will be governed not only by a desire to preserve Taipei's position, but also by its own interests and needs, which may not coincide with those of the Nationalists.

Such articles would not continue in Taiwan's controlled press without government acquiescence. They echo the wide-ranging discussions on these topics now occurring at all levels and reflect a growing realism among many Nationalists. There is no sign, however, that Chiang Kai-shek, who will make the decisions, has been convinced that the situation warrants alteration of policies, although he may be amenable to face-lifting surface measures.

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BERLIN: East German Premier Stoph has proposed negotiations with the West Berlin Senat on an agreement regulating the visits of West Berliners to East Germany and East Berlin.

There has been no permanent agreement on this matter since the Berlin wall went up in 1961. Stoph envisages an agreement by Easter, but failing this, also proposed passes for the Easter holidays, so that West Berliners might be able to visit their relatives in the East during this popular spring travel period.

It is too soon to say whether this is more than an attempt to influence the course of the West Berlin elections in March, but Stoph's letter leaves a number of loopholes through which East Germany could evade an agreement by April. For example, West Berliners would be required to enter East Germany "in the same fashion" as other visitors, which suggests that they might have to get visas, a condition probably unacceptable to Bonn. Stoph also conditioned his proposal by adding that an agreement can be realized, if accords over "other questions touching West Berlin...are put into effect." This suggests that success in the four-power talks or the East - West German negotiations may be posed as preconditions.

There is even a precondition to a temporary agreement at Eastertime, to the effect that West Berlin authorities would "prevent unnecessary complications in the situation of the city" during the negotiation period. If this condition were accepted, it would be up to Pankow to define "complications" in whatever manner it wished and thus exercise a veto whenever it appeared convenient.

West Berlin Mayor Schuetz would like to respond positively to Stoph, but within the framework of the four-power negotiations, where the issue of the

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Senat's role in inter-Berlin relations has been raised but not yet resolved. Schuetz's proposed response is now under study in Bonn. Over the decade the Senat has negotiated temporary agreements for intercity travel, with Bonn's approval.



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25 Feb 71

Central Intelligence Bulletin

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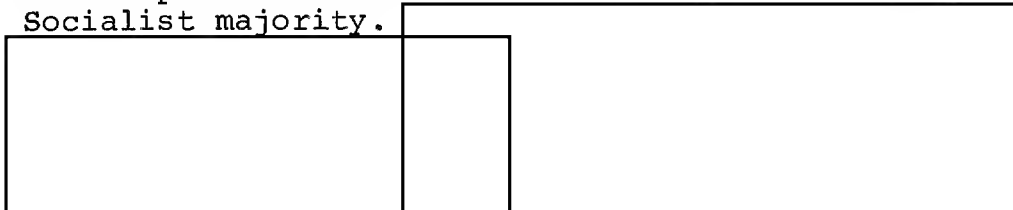
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AUSTRIA: Chancellor Kreisky's minority Socialist government may ultimately provoke a vote of confidence following the breakdown last week of three-party talks on army reform.

Kreisky's reform plan, arising out of a Socialist campaign promise made for the March 1970 election, is aimed at reducing the term of compulsory military service from nine to six months. The plan could possibly become the most divisive national issue to have faced the Austrian Government in over a decade and is opposed by the military establishment as well as the opposition People's Party and to a lesser extent the Liberal (Freedom) Party. Opponents of Kreisky's plan fear that it would weaken the army. There are also indications of Swiss and West German concern and reservations about the Austrian plan.

Kreisky plans to discuss with his cabinet this week a draft bill embodying his army plan to be submitted to parliament in May. The chancellor appears to be confident that the small Liberal Party will support him when the chips are down rather than stand with the People's Party to secure his defeat. Under the present government, the Liberals have gained influence beyond their numbers by giving Kreisky the majority he needs in parliament. The chancellor, if defeated on the army reform issue in May, probably would call for new elections, which recent polls indicate would result in a clear-cut Socialist majority.



25X1

25 Feb 71

Central Intelligence Bulletin

7

SECRET

Approved For Release 2003/08/21 : CIA-RDP79T00975A018300100001-7

25X1

Approved For Release 2003/08/21 : CIA-RDP79T00975A018300100001-7

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Approved For Release 2003/08/21 : CIA-RDP79T00975A018300100001-7

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NIGERIA: The government is moving to increase its oil revenues as well as to secure greater control of the country's rich oil resources.

Shell-BP, by far the largest producer in Nigeria, is slated to begin negotiations on 8 March to revise the price of crude oil exported from Nigeria and on other aspects of its operations in the country. The government will probably demand terms from producing companies at least as favorable as those recently extended to Persian Gulf members of the Organization of Petroleum Exporting Countries (OPEC) as well as any concessions granted to Libya. Although Nigeria is not now a member of OPEC, it is considering joining.

The government also has demanded at least 51-percent participation in the offshore oil concessions that were tentatively awarded last July. The five companies involved, none of which is a major American or international producer, are all newcomers to Nigerian exploration. Although Nigerian insistence on majority ownership had been expected, several new conditions were outlined last week.

The government has stated it intends to participate fully in management, technical, and financial decisions, but there are indications that it will not insist on majority decision-making power for itself. When oil is found in commercial quantities, the government's share of exploration costs is expected to become an interest-free loan from the company involved. In addition, the government has requested bonuses based on future production levels, donations for educational purposes, and offers of assistance for student and teacher exchange. Although some of the terms are somewhat stiffer than expected, at least one of the companies appears ready to accept them.

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25 Feb 71

Central Intelligence Bulletin

10

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25X1 CHILE: Private commercial banks whose shareholders have refused to sell out to the Allende regime are being heavily fined for alleged violations of regulations. Two banks must pay large fines within ten days, and an additional four banks will also be fined according to the Superintendent of Banks. Thus far the regime has acquired control of four of Chile's 27 private commercial banks. In another development, RCA has agreed to sell Chile an additional 18-percent interest in its electronics manufacturing subsidiary, giving Chile control with 51-percent ownership.

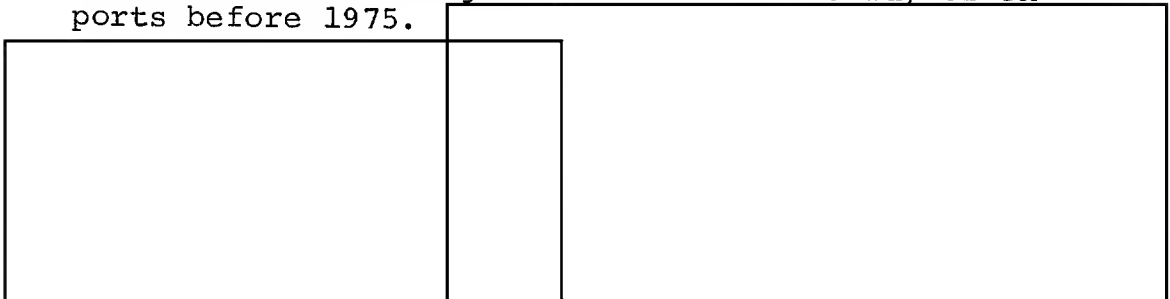
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USSR-JAPAN: Negotiations on a ten-year, \$350-million deal to barter Japanese equipment for Soviet wood chips have broken down over price differences. This is the latest in a series of proposed long-term economic development projects in Siberia to encounter difficult negotiations. According to a press report, the Soviets rejected the Japanese proposal which offered higher than world prices for imports of Soviet wood chips, a \$45-million credit for construction of a wood chip factory, and the supply of other machinery and equipment. The Soviets may only be attempting to drive a hard bargain but the Japanese claim they will not resume negotiations unless the Soviets accept the present offer. The Soviets may be willing to gamble because they are aware that the arrangement would not generate much in the way of exports before 1975.



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